



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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SEPTEMBER 3, 1981

HUMAN RESOURCES
DIVISION

B-204452



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The Honorable Raymond J. Donovan
The Secretary of Labor

Dear Secretary Donovan:

Subject: Department of Labor Needs to Give CETA Prime
Sponsors More Guidance and Assistance for
Implementing Monitoring Requirements
(HRD-81-136)

We made a limited review of prime sponsors' activities in Region I for implementing the independent monitoring unit (IMU) function required by the Comprehensive Employment and Training Act (CETA) Amendments of 1978 (Public Law 95-254, Oct. 27, 1978). In our opinion, the effectiveness of IMUs depends heavily on having enough properly trained staff members to carry out all necessary monitoring activities. However, our review of three prime sponsors showed that (1) IMU staffs were too small to carry out all required monitoring functions and (2) the staff members assigned to IMUs lacked adequate training in the practices and procedures to be followed.

Because the IMU was a new function, prime sponsors looked to Labor for guidance and assistance in setting up the units and in carrying out the requirements of the 1978 amendments. However, the prime sponsors generally received little guidance on what resources they should devote to the IMUs and what practices and procedures should be followed in carrying out the monitoring function. This condition led to wide variances in the IMUs' monitoring activities. For example, the IMUs in Region I did not monitor all prime sponsor functions, subrecipients, and priority emphasis areas. Moreover, the extent of coverage varied in the areas that were monitored. A major contributor to this condition was that the IMU staff members lacked training or expertise in the use of monitoring techniques, especially in the area of financial management.

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BACKGROUND

Section 121 of the CETA Amendments of 1978 required each prime sponsor to establish an independent unit for monitoring compliance with the act, the regulations issued thereunder, and the prime sponsor's comprehensive employment and training plan. The Secretary of Labor was required to annually assess the effectiveness of these units, particularly the adequacy of provisions made for funding, staffing, and insuring the independence and objectivity of monitoring practices and methods.

Our overall objective was to assess Labor's and prime sponsors' implementation of the monitoring requirements. In this regard, we concentrated on IMU staffing, training, and monitoring activities since the 1978 amendments were enacted.

To accomplish our objective, we examined the status and operations of IMUs in fiscal year 1980 at the New Bedford Consortium, New Bedford, Massachusetts; Balance of State of Maine, Augusta, Maine; and Balance of State of New Hampshire, Concord, New Hampshire. Our work focused on the IMUs' staffing and organization, monitoring procedures, and results achieved. In assessing the results, we compared the prime sponsors' progress in implementing the IMU concept with Labor criteria. We interviewed officials and reviewed records and documentation at Labor's national office, the Region I office, and the prime sponsors. In addition, we assessed the region's oversight role relating to IMUs at the three prime sponsors.

Although our detailed review of prime sponsor activities was limited to Region I, we believe our findings indicate problems that may also exist elsewhere. For example, we gathered and analyzed background data on 10 prime sponsors in Region II and interviewed Federal representatives about problems they identified in their annual assessments on 7 of those prime sponsors. This information strongly suggests that IMU activities in Region II closely parallel those we observed in Region I.

The findings in this report were discussed with Employment and Training Administration headquarters and Region I officials, and their comments are included where appropriate.

PRIME SPONSORS NEED BETTER GUIDANCE ON IMU STAFFING

The three IMUs examined in Region I had been operating for between 10 and 17 months at the end of fiscal year 1980; they had an average staff size of 3.7 and average annual expenditures

of \$67,683. The following table shows the date each IMU was established, staff assigned at the end of fiscal year 1980, and the percentage of total prime sponsor expenditures devoted to IMUs for the fiscal year.

<u>IMU</u>	<u>Date established</u>	<u>Staff assigned at 9/30/80</u>	<u>Expenditures for fiscal year 1980</u>	<u>Expenditures as a percent of total prime sponsor expenditures</u>
New Bedford Consortium	June 1979	4	\$67,914	0.7
Balance of State of Maine	Dec. 1979	4	73,685	.3
Balance of State of New Hampshire	May 1979	3	61,450	.5

Each of these IMUs was responsible for reviewing the functions and activities of its prime sponsor and subrecipients. According to estimates obtained from the prime sponsors and other available data, the New Bedford Consortium employed 31 subrecipients, each of which received one or more grants, while Balance of State of Maine employed 348 subrecipients. Data were not available on the number of subrecipients employed by the New Hampshire prime sponsor. The three IMUs were not reviewing all required functions and activities of prime sponsors and subrecipients.

We did not make specific analyses to determine whether the staff or funds devoted to the IMUs were adequate to perform their monitoring duties. However, staff shortages were a reason often cited by IMU directors and Labor's Federal representatives in Regions I and II for the IMUs' inability to fully cover the activities of prime sponsors and subrecipients.

The Secretary's implementing regulations and subsequent guidance from Labor's headquarters and Region I did not specifically address staff sizes or funding levels. As a result, prime sponsors received little Labor assistance or guidance on this problem. In addition, the 1978 amendments require that the adequacy of provisions made for staffing and funding be covered in the region's annual assessments of prime sponsors. These assessments, however, generally compared the existing makeup of the IMU to the provisions in the prime sponsors' master plan. For example, a February 1980 assessment of the New Bedford Consortium showed that the master

plan provided for an IMU staff of seven, while only three were assigned. The assessment letter, sent to the prime sponsor on February 15, 1980, therefore concluded that the IMU was not fully staffed. However, in reviewing the New Bedford annual assessment and those for other prime sponsors, we found no evidence that an effort was made to determine if the staffing provisions in the master plans were appropriate. Further, the annual assessment letters sent to the prime sponsors provided no guidance or direction on making such determinations in the future.

We identified a potential conflict of interest among the staff at the New Bedford Consortium. Three of the four IMU staff members were Public Service employees. We believe the use of such employees to monitor the program they participate in creates a potential conflict of interest and, because of the 18-month limit on employment, could also adversely affect the consistency and continuity of IMU operations. We discussed this in October 1980 with Region I officials, who told us they expressed similar concerns to the prime sponsor; however, as of March 1981, New Bedford was still using Public Service employees as monitors. The two other prime sponsors either hired new employees to perform the IMU function or transferred people from other program areas.

Although the situation in New Bedford may be resolved by the President's planned phaseout of the Public Service Employment program, we believe its occurrence and the lack of direction discussed earlier point to a need for better Labor guidance on the proper staffing for IMUs.

IMU STAFFS NEED MORE TRAINING

The training of IMU staff members on the practices and procedures used during monitoring activities is as important as staff size. On April 3, 1979, the Secretary of Labor issued regulations (20 C.F.R. part 676.75) providing guidance on the organizational placement of the IMUs and general areas of monitoring coverage. The regulations, however, were not specific on practices and procedures to be followed.

On October 10, 1979, the Employment and Training Administration issued Field Memorandum 8-80 to all regional offices to clarify the regulatory requirements and provide additional guidance on IMU tasks and operational procedures. A major provision of this memorandum was that:

"All prime sponsor functions and activities, except subrecipients will be monitored at least once during the grant year. Subrecipients and contractors shall

also be monitored at least once a year where administratively feasible. Otherwise, each subrecipient providing activities or services funded at a level of \$50,000 or more during the grant year shall be monitored at least once and subrecipients providing activities and services under \$50,000 per grant year shall be monitored on a sample basis. The sample selected should be at least 20% of the total dollars involved in all such contract agreements."

On October 29, 1979, the Regional Administrator disseminated this information to prime sponsors, and on April 7, 1980, Region I Letter Series 85-80 further clarified this guidance by stating that at a minimum the IMUs' yearly monitoring plan must include 15 areas of emphasis. (See enc. I.) The letter recommended a minimum of one comprehensive monitoring report, annually, on all 15 emphasis areas for the prime sponsor and each subrecipient over \$50,000. The region recognized in the letter, however, that it might not be practical for IMUs to annually review all 15 emphasis areas at each subrecipient funded for more than \$50,000. Therefore, it established the following five emphasis areas as requirements for each subrecipient over \$50,000--participant eligibility, financial management, subrecipient compliance with subagreement, fraud and abuse, and equal employment opportunity.

In fiscal year 1980, the three IMUs we examined had not monitored all 15 emphasis areas at the prime sponsor level. New Bedford and New Hampshire reviewed some of them, while Maine reviewed none. Maine devoted its time to monitoring subrecipients. In doing so, Maine monitored the five required emphasis areas at its subrecipients in accordance with Labor's over \$50,000 and 20-percent sample requirements. New Bedford monitored all but one of its subrecipients in connection with Labor's over \$50,000 and 20-percent sample requirements, but generally did not address financial management. We were unable to readily determine the extent to which New Hampshire met the monitoring requirements for subrecipients because the IMU did not have adequate records of its monitoring activities. However, the information that was available on subrecipient monitoring showed that the IMU did no indepth monitoring of the five emphasis areas.

According to a regional official, the prime sponsors were informally told of these suggested areas of monitoring emphasis in the fall of 1979. However, not until Letter Series 85-80 was issued in April 1980 was this conveyed in writing to the prime sponsors. Therefore, since the prime sponsors did not receive written guidance until about 7 months of fiscal year 1980 had elapsed, it may have been unrealistic to expect them to monitor all five emphasis areas in that year. It is doubtful, however,

that the IMUs will be able to sufficiently review all required emphasis areas for prime sponsors and subrecipients during fiscal year 1981 because the staffs lack expertise and are not adequately trained in the proper monitoring practices and procedures.

Labor's Federal representatives frequently listed the lack of training and expertise of IMU staffs as a deficiency in their annual assessments of the CETA prime sponsors in Regions I and II. Most of them saw a serious need for more training in general monitoring techniques. Several monitors also told us they lacked training or expertise in the use of monitoring techniques, especially in the area of financial management.

Regions I and II each sponsored IMU training courses for the prime sponsors. In Region I, a 2-day clinic was held in November 1979 and a 3-day course was conducted by an independent consulting firm in March and April 1980. The clinic was conducted to enable IMU representatives to share experiences, identify problem areas, and develop a strategy for a Labor-sponsored training program. The resulting training course was held twice. The goal for each 3-day session was to give prime sponsor staff background information, procedural suggestions, ideas, sample tools, and instruments for implementing and operating an IMU. The IMU staff members who attended the March or April session found it quite useful; however, many of them believed that one 3-day session did not fully prepare them for performing all necessary monitoring activities. Similarly, Region II presented a monitoring course in 1978 and endorsed an IMU training session that Rutgers University sponsored in 1979 under a grant from Labor. IMU monitors hired since these sessions, however, have not received comparable training.

We are not suggesting that Labor should be the sole source of training for prime sponsors. The Labor regional offices, however, should work with the prime sponsors to develop or obtain training for their IMU staffs on the practices and procedures to be employed in meeting the requirements of the 1978 amendments and the Secretary's implementing regulations. At the completion of our review, Regions I and II were working with prime sponsors to develop additional training programs for the IMU staff. We believe this is a step in the right direction. Because of staff turnovers and changes that may provide new and improved monitoring practices and procedures, we suggest that future training programs be offered on a periodic basis.

RECOMMENDATIONS

We recommend that you direct Regional Administrators to (1) give prime sponsors better guidance on determining the appropriate staff sizes for IMUs and (2) help prime sponsors develop or

obtain periodic training for their staffs on the proper practices and procedures to be employed in meeting the objectives and requirements of the 1978 amendments.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the chairmen of the four above-mentioned committees and the cognizant legislative committees. Copies are also being sent to the Director, Office of Management and Budget, and other interested parties.

The Department's courtesy and cooperation during our review is appreciated.

Sincerely yours,


Gregory J. Ahart
Director

Enclosure

SPECIAL EMPHASIS AREAS FOR MONITORING

- * 1. Participant eligibility process
 - 2. Participant assessment
 - * 3. Equal employment opportunity
 - 4. Special preference to identified groups
 - 5. Procurement practices
 - 6. Maintenance of effort
 - * 7. Financial management
 - 8. Allowance payment system
 - 9. Participant wages and benefits
 - 10. Client tracking system
 - 11. Complaint/grievance procedure
 - * 12. Consistency of program activities and services with work standards and/or subagreements
 - 13. Performance assessment
 - * 14. Fraud and abuse
 - 15. Administrative staff and personnel standards
- * Critical emphasis area